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October 12, 2007

VIA US MAIL

Mr. James E. Rokosch  
Chairman  
Board of County Commissioners  
Ravalli County  
215 South Fourth, Suite A  
Hamilton, MT 59840

Re: General Obligation Bonds, Series 2007  
County of Ravalli, Montana

Dear Chairman Rokosch:

It was a pleasure to meet with you and other County officials a few weeks ago. I had promised to get out to the County an engagement letter outlining the services we will provide as bond counsel to Ravalli County, Montana (the "County") with respect to the issuance of its General Obligation Open Lands Program Bonds (the "Bonds"). I am sorry I have not gotten it to you before now. As you probably know, I have been visiting with Karen, Vanessa and George about the Open Lands Program (the "Program") and some of the program documentation. An impressive amount of work by the County has gone into those documents. I offered some comments and suggestions on those documents and next will undertake the drafting of a Resolution to be adopted by the County Commissioners that formally approves the Program.

As you probably know, bond counsel's principal function is to render an unqualified opinion with respect to authorization and issuance of the Bonds. The opinion is rendered in written form at the time the Bonds are delivered to the purchaser. The opinion would be addressed to the purchaser and the County, and both parties are equally entitled to rely on it. The opinion addresses three basic matters:

- 1) the validity of the Bonds, based upon the proceedings taken in their authorization and issuance;
- 2) certain matters relating to the security for the payment of the Bonds; and
- 3) the exemptions from current federal and state income taxation of the interest payable on the Bonds.

In our capacity as bond counsel, we have already or will provide the following services to the County for the Bonds:

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- 1) prepare or review the resolution calling for the election, including form of notice of election and form of ballot and other election proceedings to date to ascertain compliance with the statutory requirements;
- 2) advise the County and its financial consultant with respect to any state statutory and federal tax code requirements relating to the issuance of the Bonds;
- 3) prepare the resolution calling for the sale of the Bonds and the notice of sale relating thereto based on information provided by the County and its financial consultant;
- 4) prepare the resolution awarding the sale of the Bonds;
- 5) prepare the final bond resolution and form of Bonds;
- 6) arrange for and supervise the printing of the Bonds;
- 7) coordinate with the County Clerk and Recorder and the County Commission the adoption of resolutions and other actions to be taken by the County;
- 8) review those portions of the official statement, relating to the Bonds, their security and the exemption of the Bonds from state and federal income tax;
- 9) coordinate approval of the bond issue with the Attorney General's office;
- 10) review the transcript of proceedings for compliance with law;
- 11) prepare closing documents and supervise the closing;
- 12) deliver an unqualified opinion of bond counsel to the County and the purchaser of the Bonds as to the validity of and tax-exempt nature of the Bonds; and
- 13) render advice with respect to continuing disclosure requirements and prepare continuing disclosure agreement.

In addition, we will be providing some assistance and guidance in establishing the Program and Program documents and the resolution establishing the County's Program.

As we discussed at our meeting, the ability to issue the Bonds on a tax-exempt basis is made more complicated and less efficient because of the arbitrage regulations under the Internal Revenue Code. Unless the County would decide to issue the Bonds on a taxable basis, it is going to be necessary that the Bonds be issued in several series of bonds over a period of time. We also discussed the possibility of working with the Montana Board of Investments ("MBOI") and have them fund a Bond Anticipation Note ("BAN") under their Municipal Finance Consolidation Act, which could then be paid off from the first series of Bonds.

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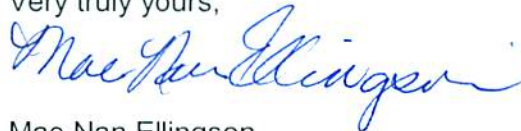
If the Bonds were to be issued in a single issue of \$10,000,000, and given the other work, we estimate our fee would be \$15,000. Based on several series of Bonds, I estimate that the first Issue would be \$12,000 and the subsequent series would be between \$7,000 and \$8,000. With respect to Bond Anticipation Notes, it would be my suggestion to both the County and the MBOI that we prepare a form of documents to be used and provide the County and the MBOI the necessary legal opinion to close on the original draw of the BAN. The County would be able to take subsequent draws using those forms without additional legal work. I estimate our fee would be about \$1,500 to get the BAN documents set up and render the initial opinion that Montana Board of Investments will require.

Once we meet with Aaron Rudio of D.A. Davidson & Co., the County's Financial Advisor, and the County and develop the overall strategy for the issuance of the Bonds, we will be better able to fine tune these estimates. Clearly our time and costs will be more if the Bonds are issued in several series. But as we discussed, this will be required in order to issue the Bonds as tax-exempt bonds.

Since the Bonds, if approved, are subject to competitive sale, the actual purchaser of the Bonds (the "Purchaser") cannot be identified at this time. We wish to point out that it is highly likely that the eventual Purchaser will be a broker-dealer or other financial institution who has been or is a client of this office with respect to matters other than the proposed bond issue of the County. Under applicable ethics rules, we do not believe our representation of the County will be either (a) materially limited by the Purchaser being our client on other matters or (b) "directly adverse" to the Purchaser under these circumstances since (i) the terms of the bond offering, Official Statement, the bond resolution and our opinion will have been established prior to the acceptance of the low bid for the Bonds from the Purchaser, (ii) the terms of said documents will not be modified in any material manner following the sale of the Bonds, and (iii) all that remains to be completed subsequent to the bond sale is the delivery of the Bonds to the Purchaser in accordance with the terms of the Official Statement.

If all of the above is acceptable to the Board, please execute the acknowledgment of this letter below and return a copy to us. If you have any questions, please do not hesitate to call. You may retain this copy for your files. Thank you.

Very truly yours,



Mae Nan Ellingson

MNE/kb

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#### ACKNOWLEDGMENT

The undersigned acknowledges receipt of the attached and foregoing engagement letter dated October 12, 2007, and confirms his/her consent on behalf of the County to the representation described therein.

Accepted this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

RAVALLI COUNTY, MONTANA

By \_\_\_\_\_

Its \_\_\_\_\_